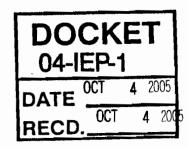


October 4, 2005



California Energy Commission Dockets Unit 1516 Ninth Street, MS-4 Sacramento, CA 95814-5512

RE: Docket No 04 IEP 1K

Comments on "Draft Committee Report-Strategic Transmission Investment Plan" ("Draft

Report")

Lake Elsinore Advanced Pumped Storage Project - FERC Project No. 11858

Dear Energy Commission,

The Nevada Hydro Company, Inc. ("TNHC") has reviewed the above referenced document and hereby submits to the California Energy Commission ("Commission") comments and corrections with reference to the Draft Report's characterization of the Lake Elsinore Advanced Pumped Storage Project ("LEAPS" or the "Project").

Our comments address the following interrelated issues:

- 1. That the Commission's assessment of the Project contained in Chapter 4 is grounded on incorrect information, inaccurately characterizes the current federal permit status and provides a technically incorrect analysis and mischaracterization of the Project. The assessment is, therefore, flawed and must be updated and corrected prior to the publication of the "Final Committee Report Strategic Transmission Investment Plan" ("Final Report").
- This flawed analysis has led to the failure of the Draft Report to identify the many ways in which the Project will help California meet the 2007 needs that are identified in the Draft Report.

As a result, TNHC respectfully requests that: (1) the corrections noted herein be included in the Final Report and in the next "Energy Report cycle" (2) that the transmission component of the Project be properly listed as a 2007 asset, and (3) that the pumped storage facility be listed as a 2008 asset. These corrections are necessary so that the Final Report properly characterizes the status of assets that will be available to help the state meet the needs identified in the Draft Report as well as to be sure the State's planning efforts proceed expeditiously.

## 1. Introduction

Although the Project has been under development for a number of years, significant milestones have recently been achieved that have removed or minimized many of the permit hurdles and uncertainties associated with the entitlement process and bring the Project substantially closer to start of construction

and commencement of operations. Many of these achievements are discussed in more detail below and include:

- 1. The acceptance of our "Final License Application for a Major Unconstructed New Project" ("FLA") by the Federal Energy Regulatory Commission ("FERC"). This is the first application for a major new hydroelectric facility FERC has accepted in nearly 15 years.
- 2. The United States Forest Service ("Forest Service") has agreed to (i) be a cooperating agency for purposes of carrying out the requirements of the National Environmental Policy Act ("NEPA"), (ii) produce a single environmental impact statement ("EIS") for the Project that will address the needs of both agencies, and (iii) stated their willingness to issue appropriate permits and has submitted preliminary 4(e) licensing conditions to FERC.
- 3. The FERC and Forest Service have published a schedule under which the draft EIS will be issued in October 2005 and the "*Record of Decision*" on the final EIS will be issued in March 2006.
- 4. The Forest Service recently adopted a new forest management plan for the Cleveland National Forest ("Forest Plan"). This management plan contains language that is supportive of the Project, thus allowing for the preparation of findings that the Project is consistent with the new Forest Plan.
- 5. As required by the tariff of the California Independent System Operator ("CAISO") a system impact study is currently being carried out by San Diego Gas and Electric Company ("SDG&E"), Southern California Edison ("SCE") and the CAISO.
- 6. The CAISO sponsored STEP planning process has concluded with the Project in its 2007 plan.
- 7. Siemens Power, Transmission and Distribution, Inc. has entered into an agreement with TNHC to design and construct the entire electrical portion of the Project.
- 8. The Project has strong State and Federal support. It is a listed project under Executive Order 13212 (energy project streamlining) and will help achieve many provisions of the Energy Policy Act of 2005. Further, the Project is backed by the region's Federal and state representatives, including Congressman Darrell Issa, whose 49<sup>th</sup> Congressional District encompasses the Project's site. Congressman Issa chairs the House Energy and Natural Resource Committee.

## 2. Corrections to the Description of the Project in Chapter 4's Assessment

Page 66 of the Draft Report contains a description of the Project and the Commission's assessment thereof. That description is based upon misinformation and analysis, as detailed below. For convenience of the Commission's staff, we have broken down our comments as they relate to each paragraph. A "redlined" version of the suggested changes to this portion of the Draft Report is in Section 6 and is offered to assist in the Commission's planning efforts.

#### 2.1. Corrections to Paragraph 2

TNHC questions why, in the second paragraph, the Commission felt it necessary to note that both the "generation and transmission component of the LEAPS project are in the planning stage." As all of the projects noted in Chapter 4's assessment are in the planning stage, why was it necessary to include this reference only with regard to the Project? Further, as our planning is more advanced than is the planning for most of the other projects noted, the Commission may wish to reconsider that:

- The Project has a fully described route and facility sites;
- The transmission route and facility sites have been intensively analyzed and described as part of our licensing and environmental compliance process;
- Environmental, engineering, and economic analyses have concluded that the project is technically feasible;
- The Project's licensing and environmental compliance processes are nearly complete, after numerous public hearings, scoping meetings, environmental notices, etc.; and,
- TNHC has a complete administrative record of all aspects of our licensing and environmental compliance processes, in which no fatal flaws have been identified.

In addition, the Commission has mischaracterized the responsible party in our licensing process. The FERC is responsible for the preparation of the EIS under NEPA, with the Forest Service acting as a cooperating agency in at Federal environmental process. Thus, FERC prepared and published the "*Notice of Intent*" ("NOI") described in the second paragraph. For your records, please make note of the following sequence of events.

- 1. TNHC filed its FLA for a major unconstructed project with FERC, under FERC Project No. 11858–002, on February 4, 2004.
- 2. FERC issued a "Notice of Intent to Prepare an Environmental Impact Statement and Notice of Scoping Meetings and Site Visit and Soliciting Scoping Comments" on August 9, 2004.
- 3. The Elsinore Valley Municipal Water District ("EVMWD") issued a "*Notice of Preparation of a Draft Environmental Impact Report*" ("NOP") under the California Environmental Quality Act on September 7, 2004.
- 4. FERC formally accepted the FLA as complete on January 25, 2005.
- 5. FERC issued "Scoping of Environment and Social Issues for a New License for the Lake Elsinore Advanced Pumped Storage Project, FERC No. P–11858–002, California", ("SD2") on January 25, 2005. SD2 presents a complete list of environmental issues that will be addressed in the draft EIS scheduled for release in October 2005.
- 6. FERC issued its "Notice of Application ready for Environmental Analysis and Soliciting Comments, Recommendations, Terms and Conditions, and Prescriptions" ("REA") on February 28, 2005.
- 7. An Interconnect Application was filed with the CAISO in April 2005, and a system impact study is now in preparation by SDG&E, SCE and the CAISO.
- 8. FERC and the USFS executed a "Letter of Understanding" ("LOU") under which the Forest Service agreed to act as a cooperating agency in preparing the EIS for the Project, issued on June 2, 2005.
- 9. Preliminary Section 4(e) conditions have been submitted by an array of permitting agencies.
- 10. On September 20, 2005, the Forest Service adopted a new Forest Plan affecting those public lands upon which the Project is located. That Forest Plan contains substantial supportive language indicating the Projects' consistency with forest management efforts. As indicated therein: "National Forest System lands are available for energy exploration, development, and

infrastructure occupancy" and "The Forest Service fully supports the National Energy Initiative and would be able to accommodate any proposal based on site specific analysis in any zone other than designated wilderness."

## 2.2. Corrections to Paragraph 3

At the end of the third paragraph, the Commission states that Sunrise and LEAPS "would provide *similar benefits* to the region in the *near term* [emphasis added]." This statement is misleading for three important reasons. First, the Sunrise project will not be operational "in the near term." SDG&E "initiated work" in October 2004 and filed with the CPUC on April 8, 2005. <sup>1</sup> However, as the Commission is very aware, the approval process through the CPUC is at best of uncertain duration. Although the Commission noted that "SDG&E faces significant land use constraints that will require resolution prior to completion of the project," it failed to carry this added uncertainty to conclusion, namely, the construction of Sunrise is likely not a "near term" event.

For the Project, the timing for receiving necessary licensing and approvals is explicit and has been determined by FERC under a schedule established by FERC.<sup>3</sup> In accordance with that schedule, the final ROD is anticipated by the Second Quarter of 2006. Consequently, the Project faces no such uncertainty, and will have its federally authorized route sometime around March 2006. With a roughly 18—month construction schedule for the transmission line, we expect to have an energized line **near the end of 2007**. With SDG&E hoping to energize Sunrise in 2010, our "near term" is at least three years ahead of theirs.

Second, the Commission has misconstrued the relationship between the two projects. In describing the Sunrise project, the Commission notes:

In addition, the northern 500 kV interconnection from San Diego to the SCE service territory would improve the reliability of California's transmission system and increase the state's overall ability to import lower-cost power from Arizona, Mexico and the Desert Southwest. The state's existing 500 kV bulk transmission "backbone" runs from the Oregon border through the SCE service territory but does not connect with the San Diego area. San Diego's system currently connects to the rest of California via 230 kV lines running north through San Onofre Nuclear Generating Station and 500 kV lines running east to Imperial Valley.<sup>4</sup>

This "northern 500 kV connection" is the transmission portion of the Project and will provide SDG&E a connection to the "500 kV bulk transmission 'backbone'". Because it will be operating in 2007, the Project will allow ratepayers to save the hundreds of millions of dollars the Commission attributed to Sunrise,<sup>5</sup> but begin doing so at least three years before Sunrise could possibly be energized.

<sup>1/</sup> Report, at 63.

<sup>&</sup>lt;sup>2</sup>/ Ibid., at 66.

<sup>&</sup>lt;sup>3</sup>/ FERC and the US Department of Agriculture, *Scoping Document 2, Lake Elsinore Advanced Pumped Storage Project, California, FERC Project No. 11858–002*, January 25, 2005, at 27.

<sup>4/</sup> Report, at 63

<sup>5/</sup> Ibid.

During testimony before the Commission, the following slide was presented showing SDG&E's estimate of the costs its ratepayer's face if new transmission is not built:<sup>6</sup>

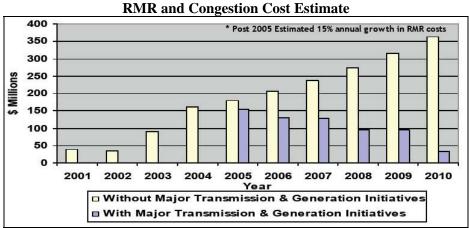


Figure 1

RMR and Congestion Cost Estimate

Source: SDG&E

According to this slide, the Project will save ratepayers roughly \$600 million in the three years it will be operating before Sunrise is optimistically scheduled to be on line. The figure illustrates additional savings to ratepayers if SDG&E runs into opposition or unanticipated permitting issues that cause Sunrise to be delayed beyond 2010. According to the above figure, the Project could save ratepayers an additional \$300 million during that year alone!

Third, while transmission projects generally do provide roughly similar benefits, with the addition of the pumped storage facility in 2008, the Project will provide (1) a wires and non wires solution to the grid, (2) a tool to help manage intermittent renewable resources near to the load center, (3) immediately reactive load balancing, and (4) a wealth of other benefits (described further in Section 4, below. The Sunrise project alone cannot possibly provide "similar benefits" to a project with both pumped storage and transmission components

## 2.3. Corrections to Paragraph 4

Paragraph 4 identifies three concerns the Commission has with regard to the LEAPS Project. The issue raised first is "whether the proposed transmission component of LEAPS would complement or conflict with 500kV transmission projects under consideration by SDG&E." The sentence misconstrues the issue entirely. The characterization of the issue, as with much of the discussion within the Draft Report, implies that Sunrise has some preferential position or priority. Why is the Commission not considering whether Sunrise would complement or conflict with 500kV transmission projects under consideration by TNHC? We believe that unsubstantiated assertions of preference to any project should be eliminated from the Final Report by the Commission. In its place, a fair and objective balancing of the

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<sup>&</sup>lt;sup>6</sup>/ Avery, Jim, July 28, 2005, Testimony at the Committee Hearing Before the California Energy Resources Conservation and Development Commission in the Matter of: Preparation of the 2005 Integrated Energy Policy Report, p. 82, [http://www.energy.ca.gov/2005\_energypolicy/documents/2005-07-28\_hearing/2005-07-28\_TRANSCRIPT.PDF] (August 30, 2005).

<sup>&</sup>lt;sup>7</sup>/ Ibid., at 66.

facts should lead to an objective assessment of which project can provide the greatest benefits to the grid for the least cost as well as when these benefits will be delivered. TNHC suggests that the Commission look to how the two projects actually complement each other, rather than assuming they conflict. As indicated in the STEP analysis, the implementation of both projects would provide added reliability and other benefits.

This perceived bias toward regulated utilities, as reflected in the above quote, serves to place private projects in an unfair and unreasonable disadvantage, discourages private investment in new facilities, contradicts State and Federal policies, and discourages the presentation and analysis of objective, accurate information concerning the status and public benefits inherent in ALL pending projects.

With regard to economic studies, in late 2003, in conjunction with the STEP proceeding, the CAISO undertook a preliminary production cost modeling analysis. The analysis found that the Project could provide annual system—wide production cost benefits of \$7M to \$11M. While not insignificant, the exercise was very limited and preliminary and did not capture the substantial range of benefits the Project would produce, such as, reduced RMR costs (amounting to hundreds of millions of dollars, as discussed in Section 2.2), market power mitigation, and improved reliability. TNHC is now completing more detailed economic studies over the next few months, and anticipate documenting significant additional sources of value.

With regard to the concern related to public lands, most of the transmission line is routed through lands administered by the Forest Service. Only a small portion of the transmission route may traverse Bureau of Land Management ("BLM") land, and both the BLM and the United States Environmental Protection Agency ("EPA") have only had very limited and cooperative involvement in our licensing process. As mentioned in Section 2.1, the Forest Service has executed an LOU under which it has agreed to a cooperating agency status with FERC for purposes of NEPA compliance. As a result, TNHC believes that the public lands component of the Project provides the State with a distinct advantage over other, piecemeal, corridor routing schemes that are not driven by FERC, require substantial private lands assemblage, and remain subject to the parochial interests of local agencies. When compared to the process the Sunrise project is facing, the Project's risks and regulatory uncertainties are substantially less and are primarily controlled by Federal agencies operating under the direction of the Energy Policy Act of 2005 and the Federal Power Act.

## 2.4. Correction to the Last Paragraph

TNHC suggests that the Commission may wish to reconsider the conclusion that "due to the lack of sufficient substantiation of near-term benefits, the project does not warrant recommendations for action at this time." Based on the corrections noted herein, the Commission's conclusions should accurately characterize the near-term benefits of the Project.

It should be noted, that the proponents of many of the projects assessed by the Commission in this section of the Draft Report assert a range of benefits, few of which have been "substantiated" other than through assertions of the proponent organization itself. For example, see Mr. Avery's assertion, described

<sup>&</sup>lt;sup>8</sup>/ See, for example, EPA's comments submitted as part of the FERC scoping process at Environmental Protection Agency, *Scoping Comments for the Lake Elsinore Advanced Pumped Storage Project, FERC No. 11858-002, Riverside County, California*, October 8, 2004, FERC document nos 20041020-0126 and 20041008-5057.

<sup>&</sup>lt;sup>9</sup>/ Report, at 67.

below at note 12, that the Commission seems to use to substantiate, in part, its preliminary support for the Sunrise project over other projects.

#### 3. The Commission should assess the projects it ranks fairly and objectively

Our review of the Draft Report has caused us to conclude that the Commission seems to have inadvertently given more deferential treatment to the self–serving assertions put forth by the proponents of other projects than it did to the documented administrative record of the Project. While perhaps overwhelming the Commission's staff with the volume of documentation that has been developed in furtherance of the Project and provided to the Commission<sup>10</sup>, that Socumentation has been reviewed by dozens of local, State and Federal agencies, subjected to detailed agency and peer review, and has been scrutinized in public comment. Nonetheless, despite the advanced permit and environmental compliance status of the Project, the Commission appears to have discounted the evidentiary record that has been established.

As one example of this uneven treatment, when describing the Sunrise project, the report looks back to the Valley–Rainbow project and echoes SDG&E's assertion that the value it found in support of that project could also be applied to the Sunrise project. As the Commission is aware, the California Public Utilities Commission ("CPUC") and the BLM jointly concluded that the transmission portion of the Project is functionally and electrically equivalent to the Valley-Rainbow Project. As the Project's connection parallels that of the proposed for Valley–Rainbow and is only a few miles to the west of its proposed location, the value asserted by Mr. Avery in his quote 12 applies equally to the Project. However, unlike the Valley-Rainbow project, the administrative record for the Project demonstrates its feasibility, the absence of substantial opposition, and the backing of Federal and State representatives and regulators.

In addition, without even a one-line diagram of the Sunrise project, it is difficult to assess or substantiate its assumed benefits. However, any 500 kV line from Imperial Valley into the Central San Diego Service area is valuable to outages on the Southwest Power Link ("SWLP") East of Imperial Valley. Outages on the North Gila - Imperial Valley or Hassayampa - North Gila 500 kV lines will cut SDG&E off from the Palo Verde generation. The Project's connection to the SCE 500 kV grid west of Valley clearly offers a superior reliability benefit. With the completion of Palo Verde - Devers No.2, this SCE connection will be even more enhanced. Further, the Project provides a superior connection to an alternative power grid in the event of outages to the SWPL East of Imperial Valley Substation.

The Project also provides reliability advantages for outages at the SONGS generation with its quick start feature and the reduced requirement for reactive power support associated with long line service contingency. Sunrise cannot make a similar claim nor provide similar benefits.

TNHC believes that the Commission should either give equal weight to the assertions of all project proponents or independently and objectively analyze the assertions presented in order to assess each project's value.

<sup>10/</sup> We have submitted roughly 10,000 pages of documents, including the complete license application provided to FERC under the provisions of the Federal Power Act, with copies of all studies and comments. The Commission has also received our Interconnection Application to the California ISO.

<sup>11/</sup> Report, at 63.

<sup>12/</sup> Ibid.

# 4. The LEAPS Project is the only project now under development that will help the State meet nearly all of the needs identified in the Draft Report

TNHC notes that although the Commission emphasizes the value of pumped storage as an important tool that will help the State address many of the problems identified in the Draft Report, <sup>13</sup> the Commission's apparent lack of objective and supportable analysis of the Project and the erroneous and unsupported conclusions presented in the Draft Report, caused the Commission to overlook the ways in which the Project will contribute to solving the issues identified in the Draft Report. Presented below are a number of ways the Project will contribute to solving the *near–term* issues identified in the Draft Report.

- Because of its nearly instantaneous response time, pumped storage facility will help grid operators adjust to constantly fluctuating load conditions. 14
- Because its right-of-way is already clearly defined, and has nearly concluded its permit and
  environmental compliance process, there is no need to wait for the State Legislature or any
  other agency to develop and implement a statewide corridor designation process.<sup>15</sup>
- The Project will directly contribute to meeting two of the four strategies identified in the 2003 Energy Report to meet demand in an environmentally responsible way: It will help to manage renewables and will strengthen the State's energy infrastructure (while improving the water quality of Lake Elsinore, enhancing regional recreation opportunities and improving the area's fisheries). 16
- Like Path 15 and perhaps the TransBay Cable project, the Project provides a model for designating and permitting a corridor within the State that largely bypasses the difficult and uncertain State processes, and thereby helps meet the goals of the 2004 Energy Report Update. 17
- In addressing planning and permitting issues in Chapter 2 of the Draft Report, the Commission notes the importance of coordinating siting of generation and transmission. All parties in the permitting and compliance review of the pumped hydro and transmission projects have coordinated on these issues.
- The Project will help accommodate "intermittency in generation from" renewables, and its storage will also help to transmit more remote renewable energy to the load center. <sup>19</sup>

<sup>&</sup>lt;sup>13</sup>/ For example, and with reference to managing renewables, the Report notes: "Minimum load issues may be exacerbated by the intermittent nature of some renewable resources. The state should initiate research to optimize operation of existing pumped hydro storage facilities and identify viable locations for new pumped hydro storage facilities that would complement intermittent renewable generation", at page 53.

<sup>14/</sup> Issue described on page 5 of Report.

<sup>15/</sup> Idid., at 6.

<sup>16/</sup> Ibid., at 12.

<sup>17/</sup> Ibid., at 13–14.

<sup>&</sup>lt;sup>18</sup>/ Ibid., at 18.

<sup>&</sup>lt;sup>19</sup>/ Ibid., at 43–44.

- The Draft Report noted the value of "combining wind generation with pumped storage hydro to create load during early morning high runoff and high wind periods." <sup>20</sup>
- The Draft Report notes the value of *existing* pumped hydro: "Minimum load issues may be exacerbated by the intermittent nature of some renewable resources. The state should initiate research to optimize operation of existing pumped hydro storage facilities and identify viable locations for new pumped hydro storage facilities that would complement intermittent renewable generation." The Commission should also consider the value of new pumped hydro (like LEAPS) and assign similar benefits to those projects.
- The Project is the ideal tool to help grid managers ensure grid reliability by providing the full range of ancillary services and real time imbalance energy.<sup>22</sup>
- The Project will help to relieve congestion by connecting SCE and SDG&E systems and being able to manage the power flows over the connection.

#### 5. Summary and Conclusion: LEAPS is a 2007 Asset

TNHC respectfully requests that the Commission modify the Draft Report to reflect the comments presented herein and include as recommended projects the transmission portion of the Project as a 2007 asset and the pumped hydro Project as a 2008 asset. This recommendation is based on the demonstrated ability of the Project to "provide significant near-term benefits to California through improvements to system reliability, reduced congestion, and/or interconnection to [and management of] renewable resources."<sup>23</sup>

#### 6. Proposed Revisions to description and Assessment of the LEAPS Project on page 66

To assist the Commission's staff, TNHC has taken the liberty of proposing revised language to the description and assessment of the LEAPS Project as presented on page 66 of the Draft Report. The proposed revisions and additions are shown through the use of <u>underlined text</u> and <u>struck out text</u>:

The Lake Elsinore Advanced Pump Storage (LEAPS) project, planned by the Elsinore <u>Valley</u> Municipal Water District and <u>The</u> Nevada Hydro Company, Inc., is proposed as a combined generation and transmission project located at Lake Elsinore in Riverside <u>County</u> and <u>San Diego Counties</u>. The 29-mile, 500 kV transmission component of LEAPS would connect SCE's 500 kV Valley-Serrano line to a new substation in the northern portion of SDG&E's service territory. The 500 kV line would have a nominal rating of 1,500 MW. Project costs are estimated at approximately \$\frac{170}{250}\$ million for the transmission line and <u>substations and \$450\$ million for the pumped storage facility</u>, not including the costs of necessary upgrades that would be required by SCE and SDG&E.

Both the pumped hydro generation and transmission component of the LEAPS project are <u>in the final stage of their licensing and environmental compliance</u>

<sup>20/</sup> Ibid., at 46.

<sup>&</sup>lt;sup>21</sup>/ Ibid., at 53.

<sup>&</sup>lt;sup>22</sup>/ Ibid., at 59.

<sup>&</sup>lt;sup>23</sup>/ Ibid., at 5.

phases, with the final license and required permits expected in early 2006-in the planning stage. Utility Systems Integration Inc. completed a Phase I transmission system study in January 2005. Additional system and economic studies are underwayremain to be completed. FERC published The project sponsors submitted a Notice of Intent to prepare an Environmental Impact Statement (EIS) to the FERC in August 2004 (Federal Register: Aug 13 2004). <sup>16</sup> FERC accepted the The project sponsors also submitted an application submitted by the Project sponsors to FERC for a license for the hydro generation project in January 2005 November 2004. 17 Details regarding project financing remain unclear.

The LEAPS transmission project would deliver pumped storage hydro power to the grid, reduce congestion and improve reliability in the San Diego area. The transmission component of LEAPS could supplant will also compliment or enhance the northern interconnection of the Sunrise Powerlink 500 kV project by being its northern connection to the 500 kV backbone, thereby assisting SDG&E in meeting resource and planning objectives for reliability, as well as meeting RPS goals. This would require continued coordination between the project sponsors and SDG&E. Furthermore, the transmission component of LEAPS could strengthen the regional transmission system. However, the Commission questions the need for both this project and the Sunrise Powerlink 500 kV project, which would provide similar benefits to the region in the near term.

The proposed LEAPS project has <u>an</u> unresolved <u>environmental and</u> cost effectiveness concerns, <u>including</u>: that will be resolved upon completion of ongoing economic studies.

Questions as to whether the proposed transmission component of LEAPS would complement or conflict with 500kV transmission projects under consideration by SDG&E.

Economic studies have not been completed.

The proposed transmission component of LEAPS would travel through the Cleveland National Forest and a large portion would cross other public lands. Therefore, the project would be subject to the requirements of the U.S. Forest Service (USFS), the Environmental Protection Agency (EPA), and the Bureau of Land Management (BLM).

The transmission component of LEAPS may offer substantial benefits to California and is worthy of further monitoring and future consideration. However, due to the lack of sufficient substantiation of near term benefits, the project does not warrant recommendations for action at this time. To warrant future consideration in the 2007 Energy Report cycle, additional documentation of benefits is necessary.

In summary, the proposed LEAPS project would provide significant near-term system reliability benefits to California, reduce system congestion and resultant congestion costs, and provide an interconnection to renewable resources and lower-cost out-of-state generation. In addition, the proposed project would strengthen the CAISO grid by providing a 500 kV interconnection between the SDG&E and SCE service territories. Further, the Project will help ensure system

reliability, and reduce RMR and congestion costs. Therefore, the Energy Commission believes the proposed project offers significant benefits and recommends that the project continue to be moved forward expeditiously so that the residents of San Diego and all of California can begin realizing these benefits by 2007.

We appreciate your consideration of these comments. If you have any questions or require further documentation concerning the Project, its status, or near-term benefits, please contact the undersigned.

Very truly yours,

**David Kates** 

Attachment: Set of 8 CDs with complete Project documentation

c: Congressman Darrell Issa, w/o attachment
Dan Skopec, Office of the Governer, w/o attachment
Armie Perez, CAISO, w/o attachment
Elsinore Valley Municipal Water District, w/o attachment